

HOUSE BILL REPORT

HB 2178

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to the convention place station expansion of the state convention and trade center.

Brief Description: Concerning the convention place station expansion.

Sponsors: Representatives White and Kenney.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/16/09, 2/19/09 [DP].

Brief Summary of Bill

- Authorizes the State Convention and Trade Center Corporation (Corporation) to proceed with certain activities associated with the Convention Place Station Expansion (Expansion).
- Authorizes the Corporation to use specified sources to pay for certain Expansion-related costs.
- Requires that existing transient lodging taxes imposed by the state and the City of Seattle remain in effect as long as there are outstanding obligations related to financing the costs of the Expansion.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 6 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Liias, Probst and Sullivan.

Minority Report: Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt and Parker.

Staff: Meg Van Schoorl (786-7105)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Washington State Convention and Trade Center.

The Washington State Convention and Trade Center (Center) is a public nonprofit corporation created by the Legislature in 1982 for the purpose of constructing and operating a nationally competitive convention and trade facility in the City of Seattle. The Center is governed by a nine-member board of directors appointed by the Governor. Initial construction of the Center facility was completed in 1988 and financed through state-issued general obligation bonds which are projected to be retired by fiscal year (FY) 2020. Expansion of the Center, authorized by the Legislature in the 1995-97 biennium, was completed in FY 2002 and financed through the use of certificates of participation which are expected to be paid off by FY 2017.

State Convention and Trade Center Taxes.

To pay the costs of constructing, maintaining, and operating the Center, the Legislature approved, in 1982, a "transient lodging tax" to be levied against charges for stays of 30 days or less at lodging businesses with 60 or more units within King County (Revised Code of Washington 67.40.090). The current tax rate, which took effect in 1993, is 7 percent on lodging within the City of Seattle and 2.8 percent on lodging within the rest of King County. The tax, at these rates, must be retained until the bonds and all other borrowings used to finance the Center's construction or 1995-2002 expansion are retired. Proceeds from the state-imposed tax are deposited into the State Convention and Trade Center Account (Account) in the State Treasury. The Account is divided into one sub-account for capital costs and bond retirement, and one sub-account for operational costs.

In 1995 the Legislature further authorized a 2 percent "transient lodging tax" which after January 1, 2000, could be applied by the City of Seattle to the same charges as the state-imposed tax (Revised Code of Washington 67.40.130). The City of Seattle does impose this 2 percent tax, but since it is credited against the state retail sales tax, it does not increase the cost of room rentals to consumers. Receipts from the 2 percent tax are taken as a credit against the State General Fund and deposited into the Account. The Account must be used for activities associated with the expansion of the Center as recommended by the Convention Center Expansion and City Facilities Task Force created in 1994, and must remain in effect without modification as long as there are outstanding obligations to pay principal and interest on the bonds issued for the 1995-2002 expansion.

Payment Sources for 1995 - 2002 Convention Center Expansion Costs.

Costs associated with the financing, design, acquisition, construction, equipping, operating, maintaining, and re-equipping of the Center's facilities related to the Center's expansion completed in 2002 may be paid through: the proceeds of the state- or city-imposed transient lodging taxes; contributions from public or private participants; and associated investment earnings.

Summary of Bill:

Convention Place Station Expansion.

The State Convention and Trade Center Corporation (Corporation) is authorized to proceed with the Convention Place Station Expansion (Expansion), including: planning; environmental studies; design; preparation of construction plans and specifications; construction contracting; acquisition and transfers of real and personal property interests; and other activities. The "Expansion" is defined as the expansion of the Center located in the City of Seattle, primarily in airspace above the Convention Place Metro Transit Station, between certain streets, and with connections to the existing Center.

State Convention and Trade Center Taxes.

The 7 percent and 2.8 percent rates established in 1993 for the state-imposed "transient lodging tax" are required to remain in effect until all payments under financing contracts or other financing issued for authorized purposes under the Convention and Trade Facilities chapter have been made.

The 2 percent "transient lodging tax" imposed by the City of Seattle is required to be used by the Corporation to pay all or any part of the costs related to the Expansion and is to remain in effect as long as there are outstanding obligations to pay for financing contracts or other financing issued for the Expansion.

Payment Sources for the Expansion Costs.

Costs associated with the financing, design, acquisition, construction, equipping, operating, maintaining, and re-equipping of the Center's facilities related to the Expansion may be paid through: proceeds of the state- or city-imposed transient lodging taxes; appropriations; funds obtained through interim financing or legislatively-authorized long-term financing; proceeds of the sale of properties owned by the Center but not planned for its operational use; contributions from public or private participants; and associated investment earnings.

"Long-term financing" is defined as any type of legislatively-authorized long-term financing for the Expansion, including but not limited to bonds, notes, other evidences of indebtedness of the state, and financing contracts.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Since beginning operation, the Center has generated \$3.2 billion in out-of-state delegate spending and contributed \$374 million to the State General Fund. This means that the Center's contributions to the state economy have averaged \$787,000 per day, producing

more revenue per square foot than any other North American convention center. Approximately 4,620 living wage jobs have been created since its inception. However, since 2004 the Center has lost \$1.7 billion in potential business due to inadequate size or lack of available dates. It is the smallest convention center among its West Coast competition. The upside of the Center's current site has been its location close to downtown hotels, restaurants, and retail businesses. The downside of the site has been the absence of vacant land or appropriate buildings for expansion. Now there is a site adjacent and available. In addition to receiving authority in this bill, the Corporation will be seeking a \$15 million appropriation from the Account reserve fund to begin due diligence and design work for the Expansion. With a projected time line for construction from 2011-2014, 3,000 construction jobs paying prevailing wage would begin just as jobs from the federal economic stimulus are ending, and a projected 3,500 new permanent jobs would result from expanded operations. The total project cost is anticipated to be \$766 million which will be paid through the lodging tax structure currently in place. Legislative authorization of the long-term financing plan is required.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; John Christison, Washington State Convention Center; Tom Norwalk, Seattle's Convention and Visitors Bureau; and Rick Bender, Washington State Labor Council.

Persons Signed In To Testify But Not Testifying: None.